

Fiscal Outlook

General Fund

Department and agency current services expenditure requests and the December, 2004 upward reprojction of \$94.2 million by the Revenue Forecasting Committee for the FY 06-07 biennium decreased the projected **Structural Budget Gap** in the FY 06-07 biennium to \$687.7 million when compared to the **Structural Budget Gap** of \$733.4 million from the September 30, 2004 budget forecast. The major factor influencing the

increase in biennial expenditure requests was related to the return to the accelerated schedule for paying down the unfunded actuarially liability (UAL). **Table F - 1** shows the change in the General Fund **Structural Budget Gap** as a result of the December, 2004, General Fund revenue reprojction of the Revenue Forecasting Committee and the increase in current services requests.

TABLE F - 1

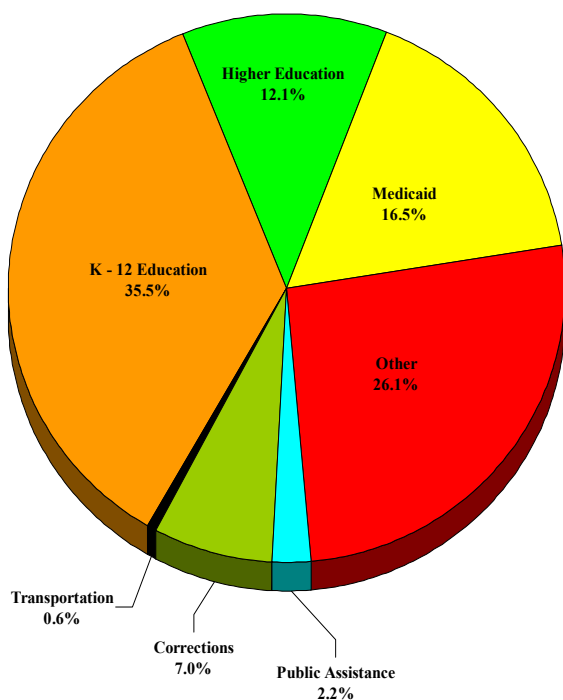
GENERAL FUND BALANCE			
Reflects Department Current Services Requests and December, 2004 Revenue Reprojection			
	FY 06	FY 07	BIENNIUM
BUDGETED BALANCE	14,872,478		14,872,478
BASE REVENUES	2,669,922,426	2,783,654,750	5,453,577,176
12/2004 REPROJECTION	49,204,752	44,975,172	94,179,924
TOTAL PROJECTED RESOURCES	2,733,999,656	2,828,629,922	5,562,629,578
PROJECTED CURRENT SERVICES EXPENDITURES	3,026,769,633	3,170,976,527	6,197,746,160
PROJECTED BALANCE	(292,769,977)	(647,650,668)	(635,116,582)
DEPARTMENT/AGENCY CURRENT SERVICES REQUESTS OVER FORECAST	12,534,086	40,084,672	52,618,758
REVISED PROJECTED BALANCE	(305,304,063)	(687,735,340)	(687,735,340)
Note: The FY 06-07 biennium does not project salary adjustments from future collective bargaining agreements beyond June 30, 2004.			

Chart F - 1 shows the percent of General Fund by program area for State of Maine current services expenditure requests for the FY 06-07 biennium compared to all states in fiscal year 2002-03. While all states commit an average of 16.5% of General Fund budgets to Medicaid, the State of Maine would commit 20.9% of its General Fund budget to

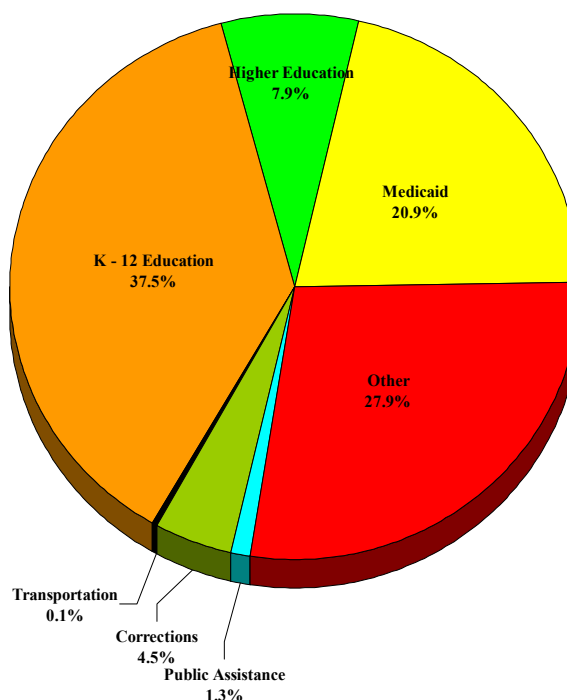
Medicaid based on current services requests. In spite of the Medicaid funding levels, K through 12 Education funding as a percent of the General Fund would exceed the national commitment. The areas in this chart that are impacted the most, as a percent of the General Fund due to resource demands from Medicaid, are Corrections and Higher Education.

Chart F – 1 General Fund Comparison All States vs. Maine

**FY 03
All States ***



**FY 06 - 07
Current Services Requests**



* Source: National Association of State Budget Officers, *2003 State Expenditure Report*.
These are the standard program areas for comparison used by the National Association of State Budget Officers.

Chart F - 2 shows the percent of General Fund program areas in the FY 04-05 biennium compared to the department and agency current services expenditure requests for the FY 06-07 biennium. The General Fund commitment to Medicaid would

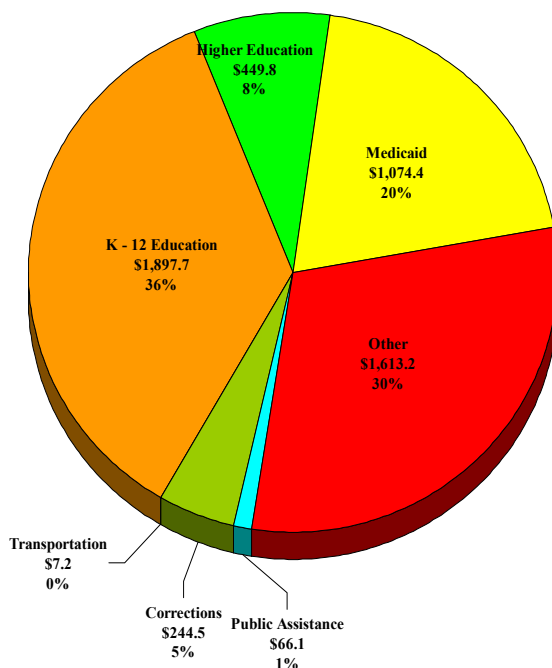
increase from 20% in the FY 04-05 biennium to 21% in the FY 06-07. The General Fund expenditure trends for Medicaid continue to present a challenge in balancing the General Fund budget in the FY 06-07 biennium and in meeting other needs.

Chart F – 2

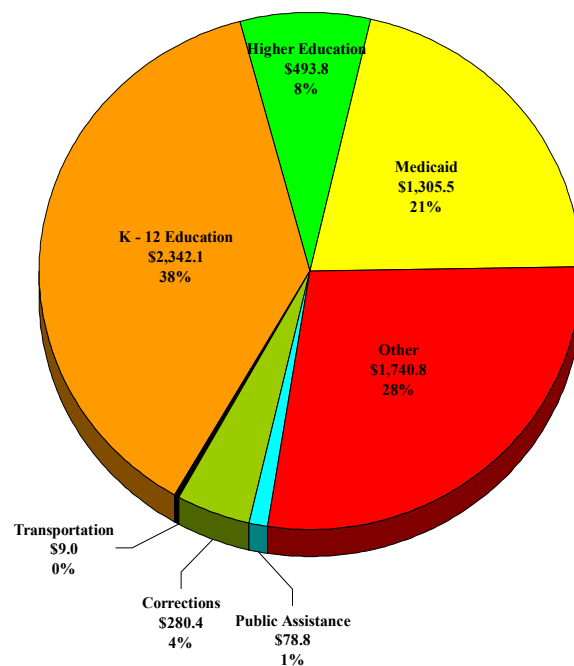
General Fund Comparison

FY 2003-04 through FY 2006-07

FY 04 – 05
Appropriations



FY 06 - 07
Current Services Requests

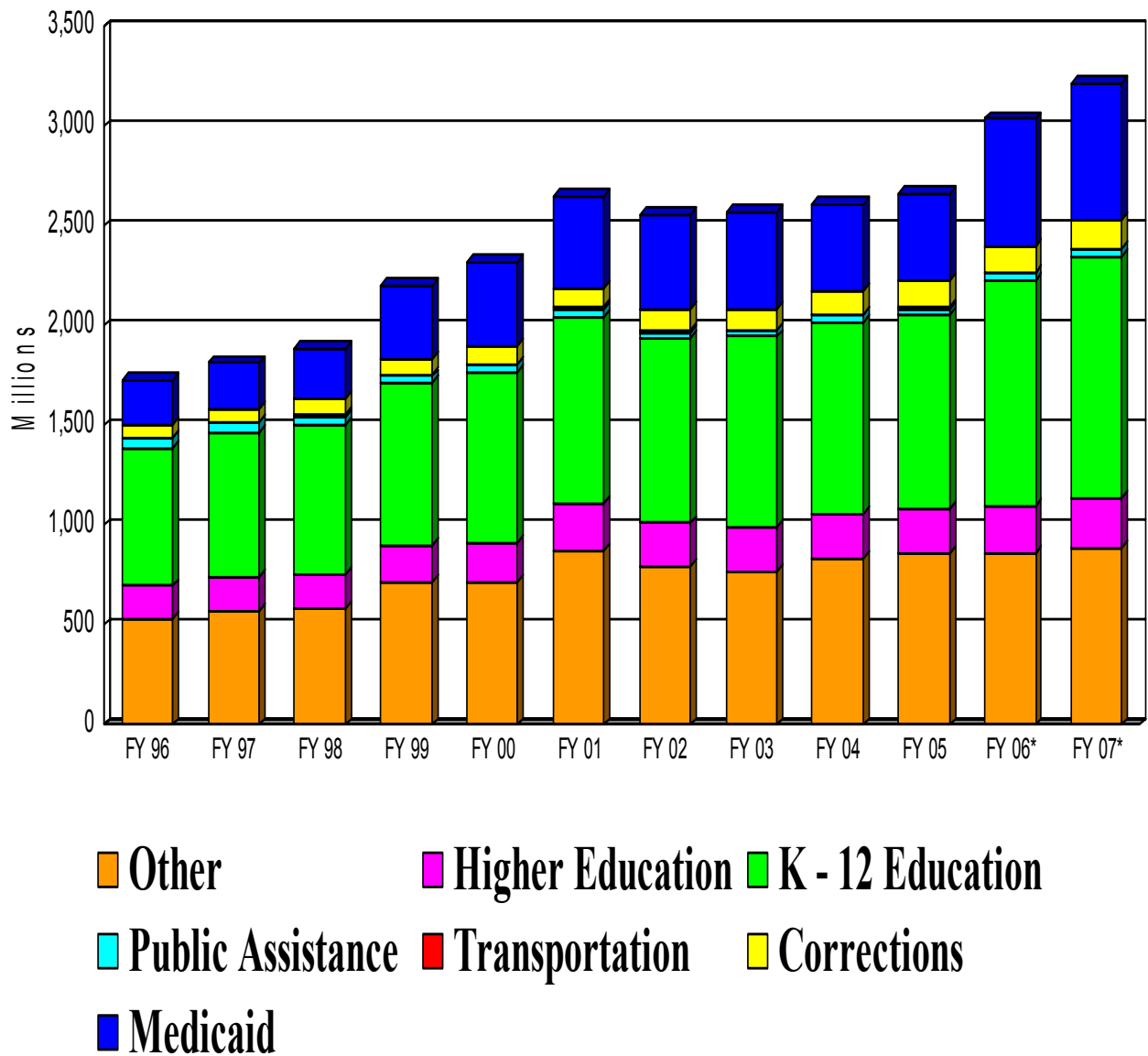


* Source: National Association of State Budget Officers, *2003 State Expenditure Report*.
These are the standard program areas for comparison used by the National Association of State Budget Officers.

The data in **Chart F - 3** reflects the trends in General Fund appropriations by program area from

FY 96 through FY 95. The FY 06 and FY 07 columns are based on current services requests.

Chart F - 3
Historical General Fund Appropriations by Program
Area for FY 96 - FY 05 and
FY 06 - FY 07 Current Services Requests



These are the standard program areas for comparison used by the National Association of State Budget Officers.

* Requests

Chart F - 4 compares the State of Maine to the U.S. on the basis of per capita income and per capita General Fund expenditures for selected program areas. In calendar year 2003, the State of Maine ranked 30th in terms of per capita income. Since General Fund revenues are highly dependent upon personal income growth, personal income becomes an important measure of the capacity of the General Fund to support program expenditures. In contrast,

the State of Maine ranked 8th in per capita General Fund Medicaid expenditures in fiscal year 2002-03. The per capita expenditure outcomes in **Chart F - 4** for Corrections and Higher Education are likely attributable to the resource demands of Medicaid and correlate with the results shown in **Chart F - 1** above.

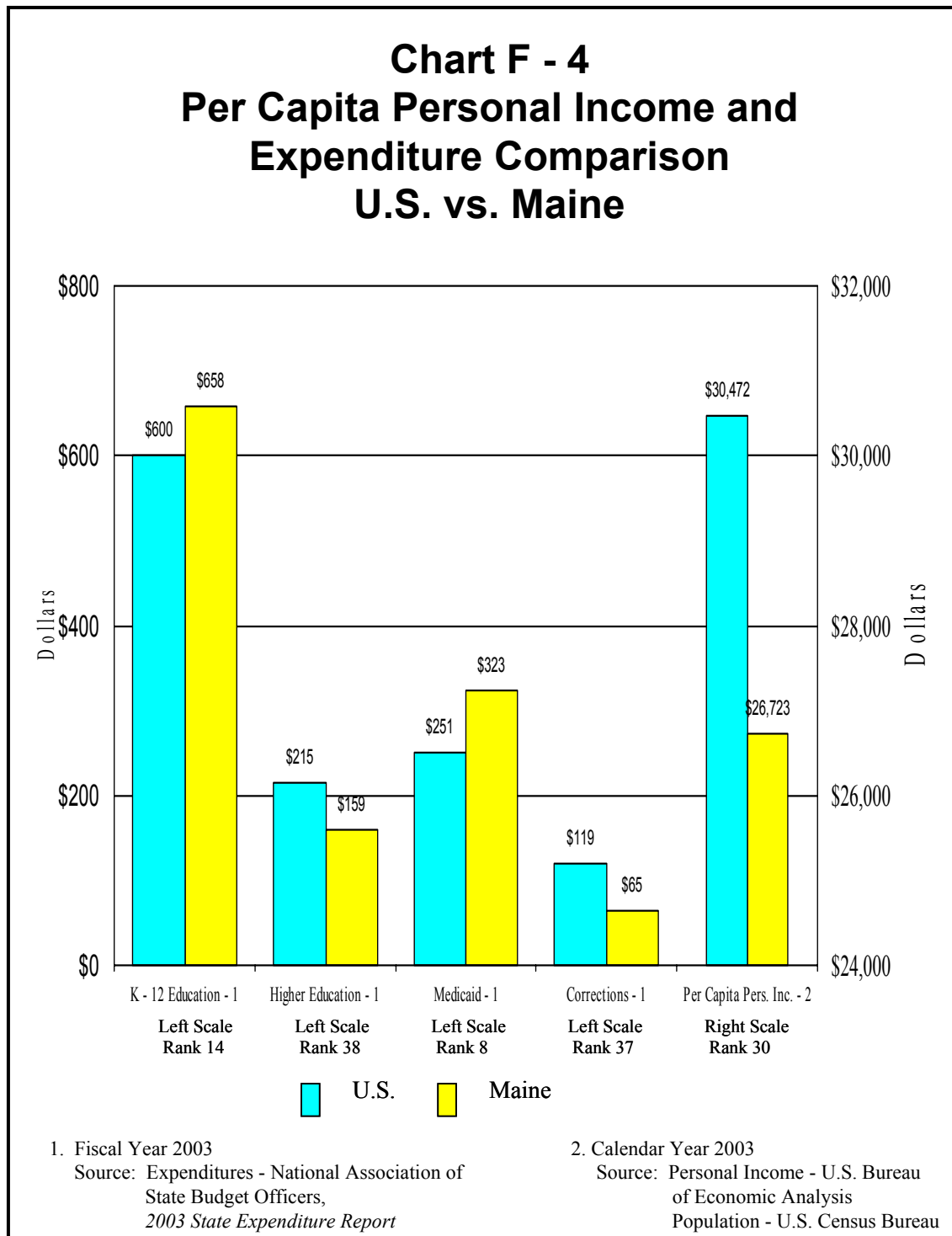
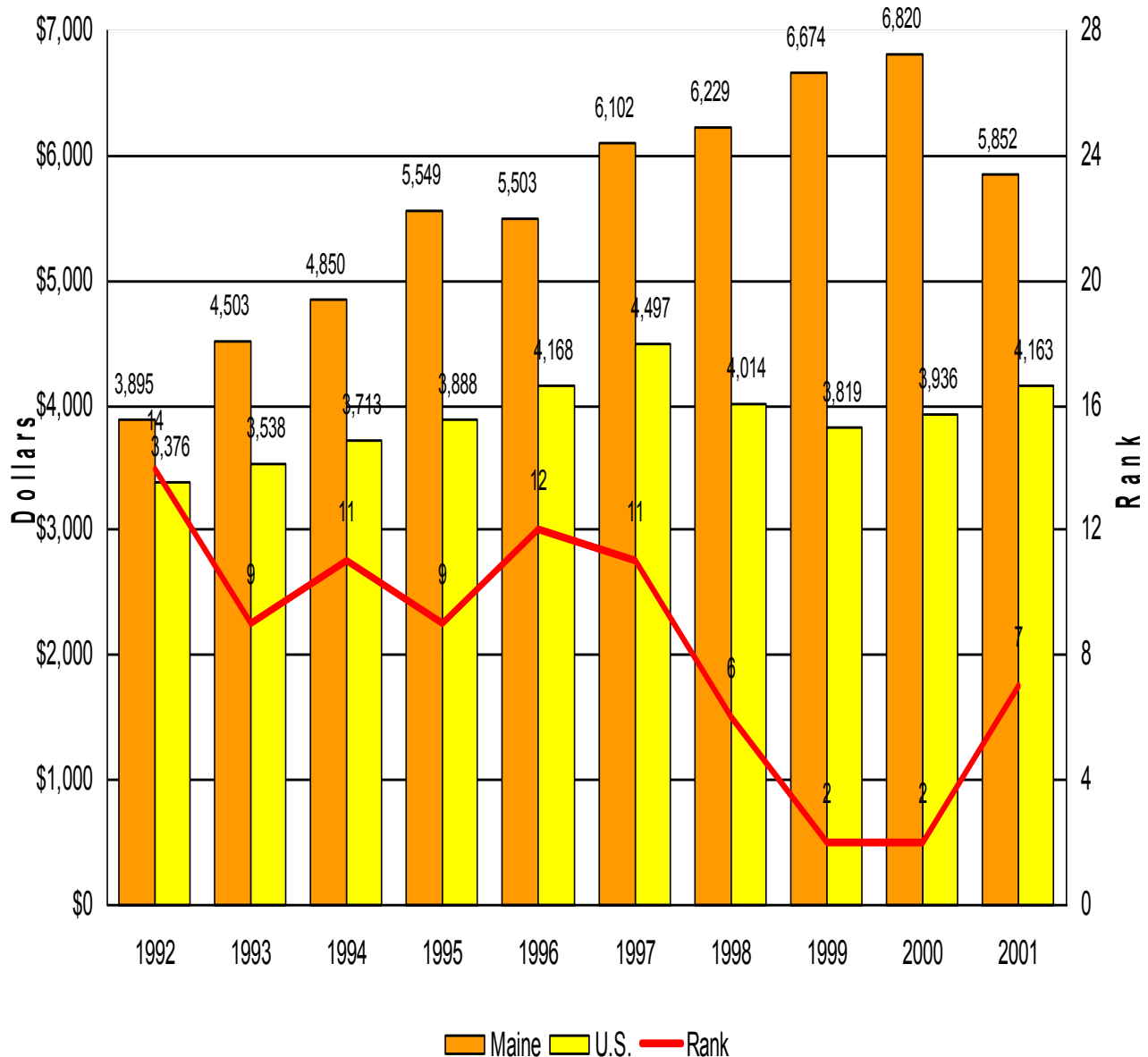


Chart F - 5 compares the State of Maine to the U.S. with respect to Maine's rank nationally on a cost per recipient basis for Medicaid. In 2001, the State of Maine ranked 7th on a cost per recipient basis for

Medicaid. One of the factors influencing this ranking is Maine's aging population. **Chart F - 5** also presents cost per recipient and rank nationally from 1992 through 2001.

Chart F - 5
Medicaid Cost Per Recipient
Total Medicaid
(Federal Fiscal Year)



Source: 1992 – 1998 Health Care Financing Administration website
 1999 – 2001 Centers for Medicare and Medicaid Services –
MSIS Statistical Report for Federal Fiscal Years 1999, 2000 and 2001

Highway Fund

Department and agency current services expenditure requests for the FY 06-07 biennium were consistent with those projected in the September 30, 2004 budget forecast. The decrease in the projected **Structural Budget Gap** from \$44.6 million as reflected in the budget forecast to \$23.5

million is primarily associated with the December, 2004 reprojection of Highway Fund revenues for the FY 06-07 biennium by the Revenue Forecasting Committee. **Table F - 2** shows the change in the Highway Fund **Structural Budget Gap** from the original forecast as a result of the reprojection.

Table F - 2

HIGHWAY FUND BALANCE Reflects Department Current Services Requests and December, 2004 Revenue Reprojection			
	FY 06	FY 07	BIENNIUM
BUDGETED BALANCE	2,078,238		2,078,238
BASE REVENUES	320,400,705	329,306,886	649,707,591
12/2004 REPROJECTION	10,026,476	10,903,345	20,929,821
TOTAL PROJECTED RESOURCES	332,505,419	340,210,231	672,715,650
PROJECTED CURRENT SERVICES EXPENDITURES	343,663,658	352,571,688	696,235,346
PROJECTED BALANCE	(11,158,239)	(23,519,696)	(23,519,696)
DEPARTMENT/AGENCY REQUESTS OVER FORECAST	-	-	
PROJECTED BALANCE	(11,158,239)	(23,519,696)	(23,519,696)
Note: The FY 06-07 biennium does not project salary adjustments from future collective bargaining agreements beyond June 30, 2004.			

